

# MUTALE MUNICIPALITY



***TABLED 2012/2013- 2014/2015  
MEDIUM TERM REVENUE  
&  
EXPENDITURE FRAMEWORK***

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# 1. Budget Resolutions

## *The Council resolves:*

- 1 That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the Mutale Municipality for the financial year 2012/13; and indicative allocations for the two projected outer years 2013/14 and 2014/15; and the multi-year and single year capital appropriations are tabled as set-out in the following tables:**
  - 1.1 Budgeted Financial Performance (revenue and expenditure by standard classification);
  - 1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote);
  - 1.3 Budgeted Financial Performance (revenue by source and expenditure by type); and
  - 1.4 Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source
  
- 2 That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are adopted as set-out in the following tables:**
  - 2.1 Budgeted Financial Position;
  - 2.2 Budgeted Cash Flows;
  - 2.3 Cash backed reserves and accumulated surplus reconciliation;
  - 2.4 Asset management; and
  - 2.5 Basic service delivery measurement.
  
- 3 That the consolidated budget that includes the financial impact of all municipal entities is noted.**
  
- 4 That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out in Budget Chapter 21 and annexure A respectively that were used to prepare the estimates of revenue by source, are tabled with effect from 1 July 2012.**

- 5 That in terms of section 5 of the Municipal Property Rates Act, 6 of 2004, the rates policy (or the amendments to the rates policy) as set out in Budget Chapter 19 and Annexure A is tabled.
- 6 That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out in Supporting Table SA7 are tabled.
- 7 That in terms of section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 of 2003, the amendments to the integrated development plan as set out in Budget Chapter 17 are tabled.
- 8 That in terms of section 24(2)(c)(v) of the Municipal Finance Management Act, 56 of 2003, the budget-related policies, including any amendments as set out in Budget Chapter 19 are tabled for the budget year 2012/13.
- 9 That the Basic Services Package as set out in Budget Chapter 19 is tabled for the budget year 2012/13.

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**NETSHIPISE LIVHUWANI HILDA  
SPEAKER**

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**DATE**

## 2. Executive Summary

The budget has been compiled and funded in terms section 18 (1) of Municipal Finance Management Act. The results from consultative forums were considered and positively and taken.

The budget process plan was prepared and tabled to council and approved. On the 30 March 2012, the draft Integrated Development Plan, draft Budget, draft Organizational structure and draft tariff structure were tabled to council. Public Participation was conducted on 09-10 May 2011 in all thirteen wards.

The revenue sources to fund both operating and capital expenditure for 2012/2013 financial year are as follows

Grants and Subsidies	R 72,159,253 million
Accumulated Funds [own/other income]	R10, 025,846 million
External Borrowings	<u>R = nil</u>
<b>Total Income Budget</b>	<b>R82, 185,099 million</b>

The Capital budget for 2012/2013 financial year is R18, 543,150 million

The operating budget for 2012/2013 is subdivided as follows:

Employee related costs	R 30, 303,245 million
Councilors remuneration	R 6,880,798 million
Repairs & Maintenance	R 7,013,260 million
General Expenditure	<u>R19, 444,646 million</u>
<b>Total operating expenditure</b>	<b>R63, 641,949 million</b>

Municipal Tariffs have been generally increased by 6%.

A service provider (KWCRS) has been appointed by the district to assist the municipality in cost recovery

Past financial performances for the past two years are indicated below:

<b>REVENUE</b>	<b>2009/2010</b>	<b>2010/2011</b>
Property rates	763 922	3 110 860
Service charges	6 487 911	193 131
Rental of facilities	70 323	70 183
Interest- income	181 530	350 277
License and permits	2 558 289	2 225 830
Fines	262 170	194 355
Grants	54 455 873	41 125 734
Other revenue	1 745 938	646 285
<b>EXPENDITURE</b>		
Employee related costs	35 811 530	22 248 564
Councilors allowance	4 689 900	5 231 388
Repairs and maintenance	2 084 914	2 811 998
General expenditure	8 024 519	6 267 362
NET SUPLUS/ DEFICIT		7 204 690

The priorities as outlined in the Integrated Development Plan are in line with the National, Provincial and District priorities covers (amongst others)

1. job creation
2. local economic development
3. basic service delivery (access to water, sanitation, electricity, refuse removal and municipal roads)
4. financial management (clean audit, revenue enhancement, asset management etc)
5. public participation

The Budgetary constraint that the municipality is facing is the extent of operational budget which exceeds the capital budget. The contributing factor is the salary budget which consumes bigger percentage of the whole budget. This is due to high staff component that is a result of transfer of staff from sector departments to local municipality. Further more National Treasury gives a minimal allocation in respect MIG which is solely utilized to implement capital projects. Whilst the municipality is having a bigger percentage of the budget being salaries (69%), annually there are salary increments which should be affected with low revenue base which the municipality have

This situation will continue until such time that the municipality has improved its revenue base and utilizes that improvement to implement capital projects.

In the year 2012/2013 A multi year project to tar Tshilamba and Masisi streets will continue. A grader will be purchased. See supporting table SA36 for a (Summary of detailed Capital budget) for the years.

The budget is approved with the following policies: supply chain management policy, cash management policy, fixed asset policy, revenue management policy, property rates policy, risk management policy, tariff policy, indigent policy and virement policy

Progress with the provision of basic services:

1. electricity
  - 18 830 households have access to electricity and 5 639 still outstanding
2. refuse removal
  - 1500 households have access to refuse removal and 22 969 still outstanding
3. municipal roads
  - 294 km roads, 4.9km tarred with the backlog of 106.6 km and 183 km roads gravel

### 3.1 Annual budget tables

The budget tables are detailed in **annexure A**. It includes the following:

Number	Description
Table A1	Budget Summary
Table A2	Budgeted Financial Performance (revenue and expenditure by classification)
Table A3	Budgeted Financial Performance (revenue and expenditure by municipal vote)
Table A4	Budgeted Financial Table Performance(revenue and expenditure)
Table A5	Budgeted Capital Expenditure by vote, standard classification and funding
Table A6	Budgeted Financial Position
Table A7	Budgeted Cash Flows
Table A8	Cash backed reserves/accumulated surplus reconciliation
Table A9	Asset management
Table A10	Basic service delivery measurement

### 3.2 Budget Related Charts and Explanatory Notes.

The budget related charts to support the tables are also shown for each table in annexure B. The charts are displayed in the following sections:

Chart	
A1	Revenue by Municipal Vote classification
A2(a)-A2(b)	Expenditure by Municipal Vote
A3	Revenue by standard classification
A4	Expenditure by standard classification
A5(a)-A5(b)	Revenue by Source- Major
A6	Revenue by Source- Minor
A7	Expenditure by Type- Major and Minor
A9-A10	Capital expenditure by Municipal Vote- Major and Minor
A11	Capital Expenditure by Standard Classification
A12	Capital Expenditure by Municipal Vote (Major trend)
A13	Capital funding by source
A14	IDP Strategic Objectives- Revenue



A15	IDP Strategic Objectives- Expenditure
A16	IDP Strategic Objectives Capital Expenditure
A17	Debt (borrowing as a % of total revenue collection)
A18	Revenue collection
A19-A20	Distribution losses and borrowed capex funding
A21	Expenditure analysis (of total revenue)
A22	Service charges- Revenue % change

## 4. SUPPORTING DOCUMENTATION

The budget is accompanied by supporting documents in terms of section 17 (3) of the MFMA.

*See supporting tables SA1 –SA 37 in **annexture C***

### 4.1 Overview of annual budget process

The budget process plan was prepared and tabled to council on the 31 August 2011. The budget instructions were issued to head of departments in September 2011 for submission of the budget proposals to the Chief Financial Officer for consolidation. The IDP and budget public participation will be held on April 2012 in all eleven wards.

## **1. Political oversight of the budget process**

The key to strengthening the link between priorities and Spending plans lies in enhancing political oversight of the budget process. Section 53(1) (a) of the MFMA states that the mayor of a municipality must provide political guidance over the budget process and the priorities that must guide the preparation of the budget.

The Mayoral Budget and Policy Monitoring Committee has a significant role to play in the financial planning process. Strengthening the link between Government's priorities and spending plans is not an end in itself, but the goal should be enhanced service delivery aimed at improving the quality of life for all the people within the Municipality.

Political oversight of the budget process is essential to ensure that:

- o The political executive is responsible for policy and prioritization

- o Policy priorities are linked to departmental spending Plans and the delivery of quality services.

Budgeting is primarily about the priorities and choices that the Municipality has to make in deciding how to meet the agreed set of policy objectives through better service delivery. Political oversight of the budget process allows Government and in particular the Municipality to Manage the tension between competing policy priorities and fiscal realities. The key to strengthening the linkage between priorities and departmental plans lies in enhancing political oversight of the IDP and Budget process. The Mayor, Mayoral Committee, Lekgotlas, and an extensive community consultation process play a leading role in guiding the alignment of resource allocations with national, provincial and local priorities.

## **2. Schedule of Key Deadlines relating to budget process (MFMA s 21[1][b])**

The budget time schedule for the compilation of the draft 2010/11 MTREF was approved by Council on 31 August 2010

### **3. Process of tabling and approval of the draft budget in council for consultation**

- Council approval of draft 2012/2013 MTREF for community consultation purposes-30 March 2012

### **4. Consultation with stakeholders and outcomes**

The draft 2012/2013 MTREF tabled before council on the April 2012 for community consultation was made available on municipality's website and hard copies was made available at various Tribal Council offices.

All documents in the appropriate format (Electronic & Printed) was provided to Provincial Treasury in accordance with the MFMA, to give opportunity for their inputs

Community consultation process will take place on April 2012

After consideration of all budget submission the Mayor must be given opportunity to respond, if necessary revise the budget and table amendments for consideration.

### **5. Stakeholders involved in consultations**

The stakeholders involved were organized businesses, churches, non-governmental institutions, community-based organizations and individual members of the public.

The budget was submitted to Provincial treasury on the 11 April 2012 for their consideration, in line with section 23 of the MFMA.

## **5.1 Overview of alignment of budget with Integrated Development Plan**

The programs and Projects that have been reflected in the Integrated Development Plan have been budgeted for. The positions reflected in the Organizational structure will all be filled in the budget year 2012/2013.

**1. Vision**

A developmental Municipality that ensures sustainable economic growth and equitable service delivery

**2. Mission**

“We strive to provide quality service & building local economy through information and knowledge building, strong partnerships in harmony with the natural environment.”

**3. Core Values and Operating Principles**

- Deliver on the mandate of the people of Mutale
  - Achieve state-led development through an effective Intergovernmental Relations System (IGR);
  - Drive integrated development
  - Ensure transparency and accountability;
  - Provide quality service delivery and implement Batho Pele;
    - Build institutional capacity and achieve transformation;
    - Develop strategic partnerships;
    - Achieve people-centered development
- Use e-governance as a means to make government accessible to the people.

**4. Integrated Development Plan**

The Constitution of the Republic of South Africa (1996) commits Government to undertake the measures that will ensure that all South Africans

have access to adequate housing, health care, education, food, water and social security.

Local Government has as duty to ensure that the abovementioned is achieved through the implementation of development policies and legislation that supports the developmental goals of South Africa

Integrated developmental planning in the South African context is amongst other an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development.

Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

In 2000 the Municipal Systems Act 32 of 2000 (MSA) came into operation. According to Section 25(1) of the Act each municipal council must, after the start of its elected term, adopt a single, inclusive, and strategic plan for the development of the municipality which

- Links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
- Aligns the resources and capacity of the municipality with the implementation of the plan
- Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation

#### **5. The five- Year strategic objective Integrated Development Plan**

This document comprises the five-year strategic plan and programme of action for the Mutale

Mutale Municipality embarked on strategic and developmental processes to ensure that it fulfils its mandate and obligations as per the Constitution of South Africa, to

Provide services in a sustainable manner

- Promote social and economic development
- Promote a safe and healthy environment
- Give priority to the basic needs of communities; and
- Encourage the involvement of communities in the matters of local government

#### **. 6. Aligning budget priorities**

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Mutale Municipality to align its budget priorities with that of National and provincial government. From the figure below it is evident that all spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery and poverty alleviation and building sound institutional arrangements

#### **NATIONAL PRIORITIES**

- Efficient and effective public services
- Job creation
- Procurement reforms and fighting corruption

*Refer to supporting table SA4, SA5 and SA6 in annexure C*

## **5.2 Measurable performance objectives and indicators**

*Refer to supporting table to supporting table SA7 and SA8 in annexure C*

## **5.3 Overview of budget-related policies**

The approved budget related policies are as follows:

○ Supply Chain Management Policy	Annexure D1
○ Cash Management Policy	Annexure D2
○ Fixed Asset Policy	Annexure D3
○ Revenue management Policy	Annexure D4
○ Property Rates Policy	Annexure D5
○ Risk management policy	Annexure D6
○ Tariff policy	Annexure D7
○ Indigent policy	Annexure D8
○ Virement policy	Annexure D9

## 5.4 Overview of budget assumptions

The growth rate used for the medium term budget and tariff increase is 6%

## 5.5 Overview of budget funding

The budget is funded by the following sources:

- Rates, tariffs and other charges
- Grant allocations
- Carry over

*Refer to Supporting table SA10 – SA14, SA18 in **annexure C** and tariff list in annexure E*

## 5.6 Expenditure on grant allocations and grant programmes

*Refer to supporting table SA19 and SA20 in annexure C*

## **5.7 Councilor and board member allowances and employee benefits**

*Refer to supporting table SA22 AND SA23 in annexure C*

## **5.8 Monthly targets for revenue, expenditure and cash flow**

*Refer to supporting table SA25, SA26, SA27, SA28 and SA29 in annexure C*

## **5.9 Annual budgets and service delivery and budget implementation plans-internal departments**

Refer to **Annexure E**

## **5.10 Contracts having future budgetary implications**

*Refer to supporting table SA35 in annexure C*

## **5.11 Capital expenditure details**

*Refer to supporting table SA 36 in annexure C*

## **5.12 Legislation compliance status**



The Municipality is implementing the municipal Finance management Act and other legislation. This is evidenced by the fact that the municipality's budget and treasury office is operational. Other legislations used (amongst other):

- Municipal Structures Act
- Municipal Systems Act
- Property Rates Act

## **5.13 Other supporting documents**

Refer to **Annexure E**

## **5.14 Municipal manager's quality certification**

Refer to page 22a

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